

Message Text

PAGE 01 STATE 169695
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TO AMEMBASSY BELGRADE IMMEDIATE

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EXDIS

E.O. 11652: XGDS-3

TAGS:PFOR, MASS, YO

SUBJECT: ARMS TRANSFER POLICIES TOWARD YUGOSLAVIA

FOR EAGLEBURGER FROM GELB

1. FOLLOWING IS TEXT OF DRAFT PAPER ON THIS SUBJECT REQUESTED BY NSC. IT IS NOW BEING CIRCULATED FOR INTER-AGENCY COMMENT. LENGTH PRECLUDED SENDING YOU ATTACHMENTS REFERENCED IN PAPER. PLEASE SEND YOUR COMMENTS AS SOON AS POSSIBLE. REGRET CLOSE TIMING REQUIRED, BUT WOULD VERY MUCH APPRECIATE YOUR EARLIEST RESPONSE. BEGIN TEXT

2. TITO AND HIGH YUGOSLAV MILITARY OFFICIALS TOOK THE OCCASION OF RECENT VISITS BY VICE PRESIDENT MONDALE AND ADMIR-SECRET

PAGE 02 STATE 169695

AL HOLLOWAY TO URGE THE US TO EXPAND ITS ROLE AS AN ARMS SUPPLIER FOR YUGOSLAVIA, ESPECIALLY WITH RESPECT TO HIGHER TECHNOLOGY EQUIPMENT. THIS PAPER REVIEWS US POLICY ON ARMS TRANSFERS TO YUGOSLAVIA AND EXAMINES THREE ALTERNATIVES:

- MAINTAIN THE STATUS QUO: REVIEW YUGOSLAV REQUESTS ON A CASE-BY-CASE BASIS.

- EXPAND THE ARMS TRANSFER RELATIONSHIP: NEW EMPHASIS AND MORE POSITIVE RESPONSE ON HIGHER TECHNOLOGY ITEMS.

OR

- EXPAND THE ARMS TRANSFER RELATIONSHIP: TAKE INITIATIVES TO EMPHASIZE ANTI-SOVIET CAPABILITIES.

THESE ALTERNATIVES ARE DEVELOPED AND ANALYZED IN THE LIGHT OF:

- THE HISTORICAL CONTEXT OF OUR ARMS TRANSFER RELATIONSHIP WITH YUGOSLAVIA;

- US POLICY INTERESTS AND OBJECTIVES.

BACKGROUND

3. HISTORY. MILITARY SUPPLY PLAYED AN IMPORTANT ROLE IN US SUPPORT FOR YUGOSLAV INDEPENDENCE AND TERRITORIAL INTEGRITY AFTER TITO'S BREAK WITH STALIN IN 1948. FROM 1950-1963, THE US PROVIDED YUGOSLAVIA WITH 689.5 MILLION DOLLARS IN MATERIEL ON A GRANT BASIS. IN 1961, HOWEVER, THE MILITARY ASSISTANCE PROGRAM WAS ALLOWED TO EXPIRE AT YUGOSLAV REQUEST. SALES DROPPED TO A LEVEL OF LESS THAN 500,000

SECRET

PAGE 03 STATE 169695

DOLLARS PER YEAR IN THE MID-60'S.

4. FOLLOWING THE CZECH INVASION, YUGOSLAVIA BEGAN TO DISPLAY SOME UNEASINESS ABOUT OVERWHELMING DEPENDENCE ON SOVIET MILITARY SUPPLY. INQUIRIES WERE MADE AMONG WEST EUROPEAN SUPPLIERS, AND EVENTUALLY, TO THE UNITED STATES. IN JUNE 1973, IN RESPONSE TO A YUGOSLAV INITIATIVE, THE US DECIDED TO MAKE AVAILABLE SELECTED ITEMS ON A CASE-BY-CASE BASIS, INCLUDING CERTAIN CLASSIFIED MILITARY EQUIPMENT AND INFORMATION. HOWEVER, DESPITE YUGOSLAV INTEREST AND US WILLINGNESS, THE ARMS TRANSFER RELATIONSHIP HAS NOT DEVELOPED MARKEDLY SINCE THEN. BOTH SIDES HAVE REPEATEDLY MOVED TO THE THRESHOLD OF ACTION, ONLY TO BE FORCED TO DRAW BACK AS THE RESULT OF EXTRANEIOUS EVENTS:

- A LARGE SHIPMENT OF 8-INCH HOWITZER SHELLS WAS EMBARGOED FOR (BLANK) YEARS BY THE US, IN REPRISAL FOR YUGOSLAV TOLERANCE OF SOVIET MILITARY OVERFLIGHTS DURING THE YOM KIPPUR WAR.

- IN 1976 THE YUGOSLAVS BACKED AWAY FROM THE PURCHASE OF US TOW ANTI-TANK MISSILES AFTER THE PROSPECTIVE SALE LEAKED IN THE US PRESS AS AN ANTI-SOVIET MOVE BY BELGRADE.

- MOST RECENTLY, PROSPECTS FOR AN EARLY AGREEMENT ON THE SALE OF THE M-44 TORPEDO MAY HAVE TO BE SET BACK AS THE RESULT OF YUGOSLAVIA'S UNAUTHORIZED TRANSFER OF (BLANK)

M-47 (PATTON) TANKS TO ETHIOPIA, IN VIOLATION OF A US-YUGOSLAV AGREEMENT DATING FROM 1951. AS REQUIRED BY LAW, THE CONGRESS WILL HAVE TO BE (HAS BEEN) NOTIFIED OF THE VIOLATION, AND THE SECRETARY OF STATE HAS GIVEN CONGRESS ASSURANCES THAT FURTHER SALES WILL NOT PROCEED UNTIL THE POSSIBILITY OF ANY NEW VIOLATION IS DEALT WITH.

5. CURRENT YUGOSLAV REQUESTS. DURING 1975 - 1976 YUGOSLAVIA SUBMITTED A SERIES OF INDIVIDUAL REQUESTS FOR
SECRET

PAGE 04 STATE 169695

EQUIPMENT, INCLUDING SOME SOPHISTICATED ITEMS. AFTER FURTHER EXCHANGES WITH THE US, THE YUGOSLAVS SUBMITTED (IN NOVEMBER 1976) A CONSOLIDATED LIST OF 25 ITEMS, AND FORMALLY REQUESTED LOA'S ON TEN OF THESE. THE US ISSUED ALL OF THE REQUESTED LOA'S BUT THE YUGOSLAVS HAVE YET TO ACCEPT ANY OF THEM. THE YUGOSLAVS HAVE ACTUALLY PURCHASED ONLY ABOUT 100,000 DOLLARS IN EQUIPMENT FROM US IN THE LAST FISCAL YEAR. LOA'S WORTH 17 MILLION DOLLARS ARE PRESENTLY OUTSTANDING. (TAB 1: YUGOSLAV REQUEST)

6. IN MAY, 1977, ADMIRAL HOLLOWAY HAD DISCUSSIONS WITH YUGOSLAV FEDERAL SECRETARY OF NATIONAL DEFENSE, GENERAL LJUBICIC, AND ASSISTANT FEDERAL SECRETARY OF NATIONAL DEFENSE FOR NAVAL AFFAIRS, ADMIRAL MAMULA. LATER THE SAME MONTH, VICE PRESIDENT MONDALE MET WITH TITO. LJUBICIC AND MAMULA POINTED TO THE US-YUGOSLAV ARMS TRANSFER RELATIONSHIP AS A TROUBLE-SPOT AND URGED THE US TAKE STEPS TO EXPAND ITS ROLE, PARTICULARLY IN THE DIRECTION OF HIGHER TECHNOLOGY ITEMS. MAMULA INDICATED SATISFACTION AT PROGRESS TOWARDS PURCHASE OF THE M-44 TORPEDO, RAISED AGAIN THE QUESTION OF BUYING THE HARPOON (THE US TURNED THIS REQUEST DOWN PREVIOUSLY), AND SPECIFICALLY MENTIONED AN URGENT YUGOSLAV NEED FOR ANTI-SHIP AND SHIP-DEFENSE EQUIPMENT, INCLUDING BOTH ECM AND MISSILES. BOTH LJUBICIC AND MAMULA EMPHASIZED THAT YUGOSLAVIA -- THOUGH INCREASINGLY SELF-SUFFICIENT IN SOME AREAS OF MILITARY PRODUCTION -- NEEDS FOREIGN SOURCES FOR SOPHISTICATED EQUIPMENT BUT DOES NOT WISH TO BECOME DEPENDENT ON ANY ONE NATION. TITO'S COMMENTS ON THIS POINT, THOUGH BRIEF, UNDERSCORED YUGOSLAV INTEREST IN MOVING AHEAD WITH US, PARTICULARLY IN THE AREA OF HIGHER TECHNOLOGY EQUIPMENT (QUOTE WE AREN'T ASKING FOR SOPHISTICATED WEAPONS, BUT DON'T WANT OBSOLETE EQUIPMENT EITHER. UNQUOTE).
SECRET

PAGE 05 STATE 169695

7. AS A RESULT OF ADMIRAL HOLLOWAY'S DISCUSSIONS, DOD IS REVIEWING PASSIVE AND ACTIVE ANTI-MISSILE SYSTEMS FOR SHIP DEFENSE TO IDENTIFY CANDIDATES FOR SALE TO YUGOSLAVIA. WE ARE REVIEWING THE THREE DISAPPROVED FMS ITEMS (MAVERICK,

HARPOON AND NAVAL COMMUNICATIONS SATELLITE RECEIVER) TO DETERMINE WHETHER THE BASIS FOR REJECTING A SALE REMAINS VALID, OR WHETHER THESE CASES SHOULD BE REFERRED TO HIGHER AUTHORITY. INsofar AS ITEMS ARE ADJUDGED TOO HIGHLY CLASSIFIED OR TOO SENSITIVE FOR RELEASE, WE ARE UNDERTAKING TO IDENTIFY SUBSTITUTE US OR WESTERN SYSTEMS TO FULFILL THE SAME OR SIMILAR REQUIREMENTS.

8. YUGOSLAV OBJECTIVES. YUGOSLAVIA HAS DEMONSTRATED A CLEAR INTEREST IN SECURITY APPROVAL OF ITS ARMS REQUESTS FROM THE US, AS WELL AS FROM WESTERN EUROPEAN SUPPLIERS. IT IS AN INTEREST, HOWEVER, THAT HAS BEEN MARKED BY CONSIDERABLE CAUTION, LIMITED BY MONEY PROBLEMS AND ADMINISTRATIVE IRRITANTS, AND CIRCUMSCRIBED TO SOME EXTENT BY RELUCTANCE NOT TO PROVOKE THE SOVIET UNION UNREASONABLY. MOREOVER, YUGOSLAVIA IS ALSO CONSTRAINED BY ITS NEED TO KEEP ITS CREDENTIALS INTACT AS A LEADER OF THE NON-ALIGNED THIRD WORLD. DESPITE SUCH CONSTRAINTS, HOWEVER, THE YUGOSLAV APPROACH SEEMS REAL.

YUGOSLAVIA HAS TWO CENTRAL INTERESTS IN AN EXPANDED ARMS TRANSFER RELATIONSHIP WITH THE UNITED STATES:

9. POLITICALLY, A MILITARY ASSOCIATION WITH THE US ENHANCES THE AMERICAN STAKE IN YUGOSLAV INDEPENDENCE AND SERVES AS A DETERRENT TO SOVIET INVASION AND SUBVERSION. A QUANTITATIVE OR QUALITATIVE EXPANSION OF THE US-YUGOSLAV ARMS RELATIONSHIP WOULD MAKE THIS POINT CLEARLY TO MOSCOW. BUT THE POINT ALSO WOULD BE MADE EVEN BY A COMBINATION OF VISIBLE YUGOSLAV QUOTE WINDOW-SHOPPING UNQUOTE AND SOME MODEST INCREASE OF SALES. THE ON-AGAIN/OFF-AGAIN CHARACTER
SECRET

PAGE 06 STATE 169695

OF THE US-YUGOSLAV ARMS TRANSFER RELATIONSHIP TO DATE MAY REFLECT THIS LATTER CONSIDERATION, AS WELL AS YUGOSLAV AMBIVALENCE (GIVEN BELGRADE'S NON-ALIGNED STANCE) AND THE UPS AND DOWNS OF US-YUGOSLAV POLITICAL RELATIONS.

10. THE RECENT YUGOSLAV OVERTURES TO EXPAND OUR ARMS TRANSFER RELATIONSHIP CAN ALSO BE VIEWED AS AN EFFORT BY BLGRADE TO FURBISH BILATERAL RELATIONS WITH US AFTER A PERIOD OF CONSIDERABLE FRICTION. WITH THE TOTH CASE BEHIND US AND THE KRSKO NUCLEAR POWER PLANT PROJECT BACK ON THE RAILS, YUGOSLAVIA HOPES THAT A NEW ADMINISTRATION IN WASHINGTON WILL PERMIT MORE MUTUALLY ADVANTAGEOUS RELATIONSHIPS.

THE HARDER LINE COMING OUT OF MOSCOW IS A FURTHER INCENTIVE FOR THIS NEW YUGOSLAV APPROACH.

11. MILITARILY, YUGOSLAVIA CLEARLY SEEKS BROADER SOURCES OF SUPPLY. IN 1975, YUGOSLAVIA PERMITTED A SUPPLY AGREEMENT WITH THE SOVIETS TO LAPSE, PERHAPS OUT OF DISPLEASURE

WITH THE MUCH HIGHER PRIORITY THE SOVIETS HAD BEEN GIVING TO THE WARSAW PACT AND TO ARAB CLIENTS, WHERE MORE ADVANCED MILITARY SYSTEMS WERE CONCERNED. EVEN IF THE SUPPLY RELATIONSHIP WERE STILL IN EFFECT WITH THE SOVIET UNION, IT WOULD STILL BE PRUDENT FOR YUGOSLAVIA TO WANT OTHER SOURCES FOR HIGHER TECHNOLOGY ITEMS, AND TO TRY TO BUILD UP A DOMESTIC PRODUCTION BASE FOR GARDEN VARIETY EQUIPMENT.

12. THE LIST OF YUGOSLAV MILITARY REQUESTS IS VERY DIVERSE, BUT IT DOES EXHIBIT CERTAIN GROUPINGS OF REQUESTS WHICH MATCH OUR CONCEPTIONS OF YUGOSLAV NEEDS FAIRLY WELL: E.G., COMMUNICATIONS EQUIPMENT, ARTILLERY SPOTTING DEVICES, PRECISION ORDNANCE, SHORT-RANGE PRECISION ANTI-SHIP MISSILES, AND (AS OF THE HOLLOWAY DISCUSSIONS) SHIP SECRET

PAGE 07 STATE 169695

DEFENSE SYSTEMS.

13. US OBJECTIVES AND INTERESTS

OUR BASIC POLITICAL OBJECTIVE IS THE MAINTENANCE OF YUGOSLAV INDEPENDENCE AND TERRITORIAL INTEGRITY. TITO IS NOW 85 YEARS OLD, AND THERE WILL INEVITABLY SOON BE A TRANSFER OF POWER. NO ONE CAN BE SURE WHETHER HIS SUCCESSORS WILL BE ABLE TO CONTROL THE COUNTRY OR CONTINUE TO FOLLOW HIS FOREIGN POLICY COURSE. THE SOVIETS CAN BE EXPECTED TO SEEK TO ADVANCE THEIR OWN POSITION BY EXPLOITING WHATEVER INSTABILITY OR TURBULENCE MAY DEVELOP IN YUGOSLAVIA FOLLOWING TITO'S DEPARTURE. OVERT MILITARY ACTION SEEMS UNLIKELY -- PARTLY BECAUSE OF THE POLITICAL COST TO THE SOVIET UNION IN TERMS OF EAST-WEST RELATIONS, THE REACTION AMONG THE NON-ALIGNED, ETC., BUT ALSO BECAUSE SUCH A COURSE ALSO CARRIES WITH IT A SIGNIFICANT RISK OF MILITARY ESCALATION. WE BELIEVE THAT THE SOVIETS ARE LIKELY TO FIND POLITICAL AND ECONOMIC LEVERS MORE ATTRACTIVE.

14. FOR A TIME, AT LEAST, THE SOVIETS WILL PROBABLY NOT TRY TO DRASTICALLY ALTER THE STATUS QUO IN YUGOSLAVIA, BUT RATHER TRY TO MAKE YUGOSLAV NON-ALIGNMENT QUOTE TILT UNQUOTE A GOOD DEAL MORE IN THEIR FAVOR. THE SOVIETS WILL, HOWEVER, BE QUICK TO ACT IF THEY SEE YUGOSLAVIA MOVING TOWARDS THE WEST -- AND THEY WILL BE VERY ALERT FOR INDICATIONS THAT THE US MIGHT BE TRYING TO GUIDE EVENTS IN THIS DIRECTION. THE STAKES WILL BE HIGH. YUGOSLAVIA IS A

PHYSICAL AND POLITICAL BUFFER AGAINST SOVIET MILITARY POWER IN SOUTHEASTERN EUROPE. AN EROSION OF YUGOSLAV INDEPENDENCE WOULD HAVE IMMEDIATE ADVERSE EFFECTS ON ITALY, AUSTRIA, GREECE AND ROMANIA. IT WOULD GENERALLY ALTER THE POLITICAL-MILITARY BALANCE AND PSYCHOLOGICAL CLIMATE IN EAST-WEST RELATIONS GENERALLY, IN SOUTHERN EUROPE, AND IN THE EASTERN MEDITERRANEAN, TO NATO'S

SECRET

PAGE 08 STATE 169695

DETRIMENT. IT WOULD POSE A GRAVE THREAT TO THE EAST-WEST
DETENTE PROCESS.

15. BECAUSE WE MAY BE CLOSE TO THE MOMENT OF TITO'S
DEPARTURE AND, WITH IT, THE TIME WHEN THESE RISKS BECOME
MUCH MORE IMMINENT, IT COULD PAY THE US TO TAKE STEPS NOW
WHICH:

- ASSURE BELGRADE OF US SUPPORT FOR YUGOSLAV INDEPENDENCE
AND TERRITORIAL INTEGRITY;

- SIGNAL CONTINUED US SUPPORT FOR YUGOSLAVIA TO THE SOVIETS
(WITHOUT THREATENING YUGOSLAVIA'S NON-ALIGNED STATUS);

- ESTABLISH CLOSER RELATIONS WITH SECTORS OF THE YUGOSLAV
MILITARY WHICH WILL LIKELY ASSUME VERY GREAT POLITICAL IM-
PORTANCE IN THE POST-TITO PERIOD;

- STRENGTHEN THE HAND OF THOSE WITHIN THE YUGOSLAV REGIME
WHO BELIEVE THAT THE WEST WILL SUPPORT YUGOSLAV INDEPEND-
ENCE AGAINST SOVIET PRESSURES;

- DIMINISH THE LEVERAGE WHICH THE SOVIET UNION ENJOYS
BY VIRTUE OF THE HEAVY YUGOSLAV DEPENDENCE ON THE USSR FOR
MILITARY EQUIPMENT AND SUPPLIES: A FORM OF LEVERAGE WHICH
MIGHT BE MORE EASILY USED ON TITO'S SUCCESSORS'

- DEVELOP CHANNELS AND PROCEDURES THAT COULD SUPPORT A
LARGER FLOW OF MILITARY SUPPLIES SHOULD THE YUGOSLAVS
TURN TO US FOR MORE SUBSTANTIAL HELP, AND WE JUDGE OUR
INTERESTS TO BE SERVED BY RESPONDING.

16. IN EACH OF THESE CASES, IT CAN BE ARGUED THAT AN EX-
SECRET

PAGE 09 STATE 169695

PANDED US ARMS TRANSFER RELATIONSHIP WITH YUGOSLAVIA MAY
BE USEFUL. IN THE FIRST PLACE, THE YUGOSLAVS THEMSELVES
HAVE JUST RECENTLY UNDERSCORED THE HIGH PREMIUM THEY PLACE
ON SUCH A LINK. THE AMOUNT OF EQUIPMENT NEED NOT BE PAR-
TICULARLY LARGE TO HAVE A SUBSTANTIAL POLITICAL IMPACT. AS
FOR YUGOSLAV MILITARY CAPABILITIES, IT CAN BE ARGUED THAT
THE TRANSFER OF CRITICAL HIGHER TECHNOLOGY ITEMS ALSO NEED
NOT BE ON A LARGE SCALE TO HAVE AN EFFECT.

17. THE PURSUIT OF THESE OBJECTIVES MUST OF COURSE BE
BALANCED AGAINST OTHER US POLITICAL AND SECURITY INTERESTS.

- CLASSIFIED DATA AND ADVANCED TECHNOLOGY REQUESTED BY THE

YUGOSLAVS RAISE SECURITY AND DISCLOSURE PROBLEMS. THE POSSIBILITY OF ILLEGAL RETRANSFER OF US EQUIPMENT CANNOT BE COMPLETELY EXCLUDED, NOR CAN WE RULE OUT INVOLUNTARY QUOTE TRANSFER UNQUOTE THROUGH SOVIET ESPIONAGE. MOREOVER, PRESENT YUGOSLAV REQUESTS MAY, IF HONORED, LEAD TO MORE AMBITIOUS ONES WHICH COULD RAISE THE SECURITY STAKES.

- WE CANNOT BE ABSOLUTELY SURE OF THE ATTITUDES OF A POST-TITO REGIME, AND CONSEQUENTLY OF WHICH WAY US-SUPPLIED WEAPONS MAY ULTIMATELY BE POINTED. FOR EXAMPLE, EVEN NOW THE SOVIET NAVY PROBABLY POSES ONLY A SMALL THREAT TO THE YUGOSLAVS, AND YUGOSLAV INTEREST IN ACQUIRING NAVAL WEAPONS MAY WELL RELATE TO A PERCEIVED THREAT FROM THE NATO SIDE; ITALY IN PARTICULAR.

- AN EXPANDED ARMS TRANSFER RELATIONSHIP WITH YUGOSLAVIA COULD, IN THE NEAR TERM, ADD ANOTHER POINT OF DEBATE IN OUR RELATIONS WITH THE SOVIET UNION, EVEN IF THE TRANSFER WERE AT A VERY MODEST SCALE. THE SOVIETS MIGHT IN ANY EVENT STEP UP ANTI-YUGOSLAV PROPAGANDA, PRESSURE-BY-PROXY THROUGH BULGARIA, OR VIA COMINFORM AND NATIONALIST GROUPS SYMPATHETIC TO MOSCOW.

SECRET

PAGE 10 STATE 169695

- THE RESTRICTIVE US ARMS SALES POLICY BASED ON PD-13, MAY BE DIFFICULT TO SQUARE WITH AN EXPANDED MILITARY SALES PROGRAM FOR YUGOSLAVIA. SPECIFICALLY, WE MIGHT HAVE SOME TROUBLE JUSTIFYING EXPANDED ARMS SALES TO YUGOSLAVIA AGAINST TWO OF THE PD-13 GUIDELINES, I.E.,

- THE US WILL NOT BE THE FIRST SUPPLIER TO INTRODUCE INTO THE REGION ANY ADVANCED SYSTEMS WHICH CREATE A NEW OR SIGNIFICANTLY HIGHER COMBAT CAPABILITY;

- THERE MUST BE EFFECTIVE SAFEGUARDS AGAINST RETRANSFER OR REPRODUCTION OF US WEAPONS AND TECHNOLOGY IN VIOLATION OF US LAWS.

18. ON THE OTHER HAND:

- IF DUE CARE IS EXERCISED, THE US COULD AVOID TRANSFERRING EQUIPMENT TO YUGOSLAVIA WHICH WOULD UNDULY JEOPARDIZE US OR NATO INTERESTS.

- SOVIET REACTION TO AN INCREASE IN US ARMS SALES TO YUGOSLAVIA WOULD PROBABLY BE CONDITIONED ON THE DEGREE OF INCREASE AND/OR THE TECHNOLOGICAL SOPHISTICATION OF CERTAIN ITEMS. AT SOME POINT, HOWEVER, THE SOVIETS MIGHT CONCLUDE THAT US MILITARY TRANSFER HAD BEGUN TO REPRESENT A POTENTIAL THREAT TO THE POLITICAL STATUS QUO IN THE REGION. WE SHOULD THEREFORE CALIBRATE ANY ARMS TRANSFERS SO AS TO

MINIMIZE THE RISK OF NEGATIVE CONSEQUENCES FOR OUR RELATIONSHIPS WITH THE SOVIET UNION, WHICH PRESENTLY ARE AT A DELICATE STAGE. WE HAVE, IN ANY EVENT, AN EQUALLY GREAT NEED TO INSURE THAT MOSCOW UNDERSTANDS THAT AN INDEPENDENT YUGOSLAVIA IS A BASIC ELEMENT OF THE EAST-WEST RELATIONSHIP.

SECRET

PAGE 11 STATE 169695

- WITH RESPECT TO US ARMS SALES POLICY, PD-13 PROVIDES SUFFICIENT LATITUDE TO JUSTIFY AN EXPANDED ARMS TRANSFER RELATIONSHIP WITH YUGOSLAVIA. THE POLITICAL CASE FOR BOLSTERING YUGOSLAV INDEPENDENCE IN THIS WAY IS COMPELLING AND REFLECTS THE NEED FOR US FLEXIBILITY WHICH IS ALSO BUILT INTO THIS OTHERWISE RESTRICTIVE GENERAL POLICY.

19. IN CONSIDERING ITS RESPONSE TO YUGOSLAV REQUESTS FOR MILITARY SALES, THE US SHOULD PAY SPECIAL ATTENTION TO THE POSSIBILITY OF REDIRECTING THE YUGOSLAVS TO OTHER SUPPLIERS AMONG OUR NATO ALLIES. US SUPPORT FOR YUGOSLAV INDEPENDENCE AND NON-ALIGNMENT IS A POLICY FULLY SUPPORTED BY OUR WESTERN ALLIES. INsofar AS A US ARMS TRANSFER POLICY FOR YUGOSLAVIA IS PERTINENT TO THESE OBJECTIVES, IT IS CLEARLY A SUBJECT THAT REQUIRES CONSULTATION WITH OUR ALLIES, AND POSSIBLY COORDINATION. A COORDINATED APPROACH INVOLVING OUR ALLIES ALSO OFFERS THE POTENTIAL BENEFIT OF REDUCING THE US ROLE IN PROVIDING ALTERNATIVES TO SOVIET MILITARY SOURCES FOR YUGOSLAVIA. IT MAY THEREFORE BE A USEFUL TACTIC FOR MINIMIZING THE CHANCES FOR UNFAVORABLE IMPACT ON US-SOVIET BILATERAL RELATIONS.

US POLICY OPTIONS

20. IN THEORY ONE POLICY OPTION FOR THE UNITED STATES WOULD BE AN EMBARGO ON FURTHER MILITARY SALES TO YUGOSLAVIA, EXCEPT PERHAPS FOR CONTINUING SALES OF SUPPORT EQUIPMENT AND SPARE PARTS FOR MATERIEL ALREADY SOLD TO THE YUGOSLAVS (AT THE CURRENT LEVEL OF ABOUT 100,000 DOLLARS PER YEAR.) THE CONTEXT FOR SUCH A POLICY WOULD BE AS A RESPONSE TO YUGOSLAVIA'S UNAUTHORIZED SALE OF TANKS TO ETHIOPIA, AND IT COULD BE PRESENTED TO THE YUGOSLAVS EXPLICITLY AS SUCH. UNDER THIS OPTION WE WOULD CANCEL OUTSTANDING LOA'S AND WE COULD BE MUCH LESS FORTHCOMING

IN PROCESSING MUNITIONS CONTROL LICENSES FOR EQUIPMENT THE
SECRET

PAGE 12 STATE 169695

YUGOSLAVS PURCHASE COMMERCIALLY IN THE UNITED STATES (CURRENTLY AT A LEVEL OF ABOUT 200-300,00 DOLLARS PER YEAR.) IN PRACTICE, HOWEVER, SUCH AN OPTION RUNS SO CLEARLY AGAINST THE GRAIN OF OUR INTERESTS IN YUGOSLAVIA

THAT WE HAVE NOT GIVEN IT FURTHER CONSIDERATION. WE BELIEVE, RATHER, THAT THE OPTIONS OF INTEREST ARE AS FOLLOWS:

21. OPTION I: MAINTAIN THE STATUS QUO

A. UNDER THIS OPTION THE UNITED STATES WOULD CONTINUE TO REVIEW YUGOSLAV REQUESTS ON A CASE-BY-CASE BASIS. LOA'S NOW OUTSTANDING WOULD BE HONORED IF THE YUGOSLAVS SOUGHT TO PICK THEM UP. OUR RESPONSES TO YUGOSLAV REQUESTS WOULD GENERALLY FAVOR DEFENSIVE EQUIPMENT OF LESS THAN FIRST-LINE SOPHISTICATION. UNDER THIS OPTION WE MIGHT ALSO TAKE STEPS TO REMOVE SOME ADMINISTRATIVE ROAD BLOCKS AND SOURCES OF CONFUSION WHICH HAVE BEEN IDENTIFIED. (TAB 2)

B. PROS

- THE CHARACTER AND LEVEL OF US ARMS TRANSFERS TO YUGOSLAVIA WOULD BE RELATIVELY NON-CONTROVERSIAL.

- THE US WOULD IMPROVE THE ARMS TRANSFER RELATIONSHIP BY STREAMLINING IT.

- OPTION I IS CONSISTENT WITH US INTEREST IN YUGOSLAV INDEPENDENCE AND NON-ALIGNMENT.

C. CONS

- IN THE CONTEXT OF THE MONDALE/HOLLOWAY DISCUSSIONS SUCH A RESPONSE -- THOUGH NOT A TOTAL REJECTION -- REPRESENTS
SECRET

PAGE 13 STATE 169695

SOMEWHAT LESS THAN THE YUGOSLAVS APPARENTLY HOPE TO ACHIEVE AND MAY BE INTERPRETED BY THEM AS A MINUS RATHER THAN A PLUS IN THEIR RELATIONS WITH US.

22. OPTION II: EXPAND THE RELATIONSHIP: NEW EMPHASIS ON HIGHER TECHNOLOGY ITEMS

A. UNDER THIS OPTION WE WOULD RESPOND POSITIVELY TO THE RECENT YUGOSLAV INITIATIVE. WE COULD ATTEMPT TO BE FORTHCOMING IN THE AREA OF ECM AND SHIP DEFENSE MISSILES. IF IT WERE NOT POSSIBLE FOR US TO SELL HARPOON, WE MIGHT SUGGEST ALTERNATIVE SYSTEMS -- PERHAPS AVAILABLE FROM OTHER WESTERN SUPPLIERS. WE WOULD INVITE THE YUGOSLAVS TO SPELL

OUT IN GREATER DETAIL WHAT THEY HAVE IN MIND IN THE AREA OF HIGHER TECHNOLOGY EQUIPMENT AND WE MIGHT SUGGEST THAT THE YUGOSLAVS MAKE ANOTHER ATTEMPT TO PURCHASE TOW.

B. PROS

- THIS WOULD BE AN UNMISTAKEABLY FAVORABLE INDICATION ABOUT

US INTENTIONS FROM THE YUGOSLAV PERSPECTIVE.

- IT WOULD OPEN A REAL ALTERNATIVE FOR THE YUGOSLAVS FOR CONTINUED RELIANCE ON THE SOVIETS FOR HIGHER TECHNOLOGY EQUIPMENT.

- IT COULD SET THE STAGE FOR GREATER RESPONSIVENESS ON THE PART OF OTHER WESTERN SUPPLIERS TO YUGOSLAV REQUESTS FOR HIGHER TECHNOLOGY EQUIPMENT.

C. CONS

- MOVING INTO THE AREA OF HIGHER TECHNOLOGY EQUIPMENT OPENS SECURITY PROBLEMS FOR THE UNITED STATES.

SECRET

PAGE 14 STATE 169695

- SUCH EQUIPMENT HAS A HIGHER POLITICAL PROFILE VIS-A-VIS THE SOVIETS AND IS MORE LIKELY TO BE PICKED UP BY THEM AS AN ISSUE EITHER IN THEIR RELATIONS WITH THE YUGOSLAVS, WITH US, OR WITH BOTH.

- HIGHER TECHNOLOGY EQUIPMENT WILL BE MORE DIFFICULT TO JUSTIFY IN THE CONTEXT OF PD-13.

23. OPTION III: EXPAND THE RELATIONSHIP: EMPHASIZE ANTI-SOVIET CAPABILITIES

A. UNDER THIS OPTION THE UNITED STATES WOULD MOVE TO EXPEDITE MILITARY SALES TO YUGOSLAVIA, AND WOULD GIVE FAVORABLE CONSIDERATION TO YUGOSLAV REQUESTS FOR HIGHER TECHNOLOGY EQUIPMENT. WE WOULD ALSO SUGGEST TO THE YUGOSLAVS THAT WE ARE PARTICULARLY INTERESTED IN SUPPLYING THEM EQUIPMENT OF THE KIND AND IN THE AMOUNTS REQUIRED TO SUBSTANTIALLY UPGRADE THE CAPABILITY OF THEIR ARMED FORCES TO RESIST SOVIET INVASION. IN THIS CONNECTION OUR ANALYSIS OF YUGOSLAV MILITARY DOCTRINE AND FORCE POSTURE (SEE TAB 3 FOR AN ASSESSMENT) SUGGESTS PRIORITY AREAS MIGHT BE:

-- ANTI-TANK WEAPONS (E.G., TOW, DRAGON, HOT, MILAN)

-- ANTI-AIRCRAFT WEAPONS (E.G., HAWK, RAPIER, ROLAND)

-- AIR DEFENSE RADARS, ESPECIALLY LOW-ALTITUDE SYSTEMS.

-- COMMUNICATIONS EQUIPMENT

B. PROS

SECRET

PAGE 15 STATE 169695

- OPTION III IS MOST CONSISTENT WITH US STRATEGIC INTERESTS
IN MAINTAINING YUGOSLAV INDEPENDENCE AND NON-ALIGNMENT.

- EVEN IF THE YUGOSLAVS WERE NOT PREPARED TO ACCEPT SUCH
A RELATIONSHIP WITH THE US, OUR WILLINGNESS TO PROPOSE
IT WOULD UNDERSCORE OUR DESIRE TO MOVE AS FAR AND AS FAST
AS THEY WISHED IN AN AREA OF AN ARMS TRANSFER RELATION-
SHIP.

- WE WOULD VERY CLEARLY SIGNAL THE SOVIETS US DETERMINA-
TION TO SUPPORT YUGOSLAVIA.

C. CONS

- THE EXPLICITLY ANTI-SOVIET CHARACTER OF OPTION III IS
LIKELY TO CREATE FURTHER DIFFICULTIES IN OUR RELATIONS
WITH THE SOVIET UNION, AND TO INCREASE FRICTION BETWEEN
THE SOVIETS AND YUGOSLAVIA.

- IT WOULD BE NECESSARY TO HELP YUGOSLAVS TO FINANCE
PURCHASES ON AN EXPANDED SCALE, AND TO TRAIN YUGOSLAVS TO
OPERATE A POTENTIALLY WIDE ASSORTMENT OF ADVANCED EQUIP-
MENT. THIS WOULD BE CONTRARY TO THE SENSE OF GENERAL US
ARMS TRANSFER POLICY UNDER PD-13. END TEXT

24. FYI: EUR HAS MADE INPUT ON ABOVE DRAFT BUT WILL
MAKE FURTHER COMMENTS. END FYI. VANCE

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 22-Sep-1999 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ARMS, POLICIES, TEXT, BRIEFING MATERIALS
Control Number: n/a
Copy: SINGLE
Sent Date: 20-Jul-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE169695
Document Source: ADS
Document Unique ID: 00
Drafter: PM:JYOCHELSON:ML
Enclosure: n/a
Executive Order: 11652 XGDS-3
Errors: n/a
Expiration:
Film Number: D770258-0708
Format: TEL
From: STATE
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t197707105/baaaethg.tel
Line Count: 573
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Message ID: e9edf662-c288-dd11-92da-001cc4696bcc
Office: ORIGIN SS
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 11
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 03-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1725807
Secure: OPEN
Status: NATIVE
Subject: ARMS TRANSFER POLICIES TOWARD YUGOSLAVIA
TAGS: PFOR, MASS, YO
To: BELGRADE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/e9edf662-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009